

# Church tax

A **church tax** is a tax imposed by the state on members of some religious congregations to provide financial support of churches, such as the salaries of its clergy and to pay the operating cost of the church. A church tax is imposed in Austria, Denmark, Finland, Germany, Iceland, Italy, Sweden, some parts of Switzerland and several other countries. In Spain and Portugal paying a church tax is optional.<sup>[1]</sup>

The constitution of a number of countries such as the United States could be and have been interpreted as both supporting and prohibiting the levying of taxes unto churches; prohibiting church tax could separate church and state fiscally, but it could also be favorable treatment by the government.<sup>[2]</sup> It is explicitly prohibited in India for the state to levy taxes on religious grounds under Article 27 of the Constitution of India. In Australia there is no specific constitutional exemption. Section 116 of the Constitution of Australia precludes the Commonwealth of Australia (i.e., the Federal parliament) from making laws for establishing any religion, imposing any religious observance, or prohibiting the free exercise of any religion, but it does not make any specific reference to taxation. Religious organisations are however exempt by virtue of legislation by the various Federal & State parliaments giving them charitable status.<sup>[3]</sup>

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## Austria

Every recognized religious group in Austria can collect church tax at a rate of 1.1%, though currently only the Catholic Church makes use of that opportunity. Church tax is compulsory for Catholics in Austria. This tax was introduced by Adolf Hitler in 1939. After World War II, the tax was retained in order to keep the Church independent of political powers.<sup>[4]</sup>

## Denmark

The members of the national Church of Denmark pay a church tax, called "*kirkeskat*". The rate varies among municipalities with a minimum of 0.4% and a maximum of 1.3% of taxable income in 2019.<sup>[5]</sup> The tax is generally around 0.7% of taxable income.<sup>[6]</sup> The collection of the church tax is administered by the Danish tax authorities, but the church tax is not considered as a genuine tax by, for example, Statistics Denmark, but as a "voluntary transfer from households to the state".<sup>[7]</sup>

The church tax does not cover the entire budget of the Church of Denmark. An additional 9% is paid by the government through block grants ("*bloktilskud*"), which means that people who are not members of the Church of Denmark also finance its activities through taxes.<sup>[8]</sup>

## Finland

All members of either the Evangelical Lutheran Church of Finland and the Finnish Orthodox Church (the two state churches of Finland) pay an income-based church tax of between 1% and 2%, depending on the municipality. On average the tax is about 1.4%.

Formerly, to stop paying church tax, one had to formally leave the church by personally going to local register office and waiting during an allowance of time for reflection. This requirement was removed in 2003 and currently a written (but not signed) statement to the church suffices. The majority of resignations since 2005 are now handled through a web site, Eroakirkosta.fi. If one is a member of the church when the year begins, they will pay taxes for the whole year. Studies show that church membership resignations in Finland are mainly due to the general secularization of society, not because of tax avoidance.<sup>[9]</sup>

## Germany

About 70% of church revenues come from *church tax* (Kirchensteuer), also called *worship tax* (Kultussteuer) when referring to non-Christian religious bodies such as Jewish synagogues. This is about €9.2 billion (in 2010).

Article 137 of the Weimar Constitution of 1919 and article 140 of the German Basic Law of 1949 form the legal bases for this practice.

In Germany, on the basis of tax regulations passed by the religious communities and within the limits set by state laws, communities may either

- require the taxation authorities of the state to collect the fees from the members on the basis of income tax assessment (then, the authorities withhold a collection fee), or
- choose to collect the church tax themselves.

In the first case, membership in the religious community is stored in a database at the Federal Tax Office which employers receive excerpts of for the purpose of withholding tax on paid income. If an employee's data indicate membership in a tax-collecting religious community, the employer must withhold church tax prepayments from their income in addition to other tax prepayments. In connection with the final annual income tax assessment, the state revenue authorities also finally assess the church tax owed. In the case of self-employed persons or of unemployed taxpayers, state revenue authorities collect prepayments on the church tax together with prepayments on the income tax.



Receipt dated September 17, 1923

If, however, religious communities choose to collect church tax themselves, they may demand that the tax authorities reveal taxation data of their members to calculate the contributions and prepayments owed. In particular, some smaller communities (e.g., the Jewish Community of Berlin) choose to collect taxes themselves to save collection fees the government would charge otherwise.

Collection of church tax may be used to cover any church-related expenses such as funding institutions and foundations or paying ministers.

The church tax is only paid by members of the respective church. People who are not members of a church tax-collecting denomination do not have to pay it. Members of a religious community under public law may formally declare their wish to leave the community to state (not religious) authorities. The obligation to pay church taxes ends once such a declaration has been made. Some communities refuse to administer marriages and burials of (former) members who had declared to leave it.

The money flow of state and churches is distinct at all levels of the procedures. The church tax is not meant to be a way for the state to directly support churches, but since expenses for church tax are fully deductible (as are voluntary expenses for the Church, for charity or a bundle of other privileged aims) in fact such support occurs on a somewhat large scale. The effort of collecting itself, done by the State, is entirely paid for by the Churches with a part of the tax income.

The church tax is historically rooted in the pre-Christian Germanic custom where the chief of the tribe was directly responsible for the maintenance of priests and religious groups. During the Christianization of Western Europe, this custom was adopted by the Christian churches (Arian and Catholic) in the concept of "Eigenkirchen" (churches owned by the landlord) which stood in strong contrast to the central church organization of the Roman Catholic Church. Despite the resulting medieval conflict between emperor and pope, the concept of church maintenance by the ruler remained the accepted custom in most Western European countries. In Reformation times, the local princes in Germany became officially heads of the church in Protestant areas and were legally responsible for the maintenance of churches. Not until the 19th century, were the finances of churches and state regulated to a point where the churches became financially independent. At this point, the church tax was introduced to replace the state benefits the churches had obtained previously.

The church tax was reaffirmed in Article 13 of the Reichskonkordat<sup>[10]</sup> between Nazi Germany and the Vatican, where it is understood that the right of the Church to levy taxes is guaranteed. Taxpayers, whether Roman Catholic, Protestant or members of other tax-collecting communities, pay an amount equal to between 8% (in Bavaria and Baden-Württemberg) and 9% (in the rest of the country) of their income tax to the church or other community to which they belong.<sup>[11]</sup>

For example, a single person earning €50,000 may pay an average income-tax of 20%, thus €10,000. The church tax is then an additional 8% (or 9%) of that €10,000 (€800 or €900) for a total of €10,800 or €10,900 in taxes.<sup>[12]</sup>

In 2017, Germany's Catholic church recorded approximately €6 billion split across its 27 different dioceses, also known as church districts. This is in spite of the massive dip in attendance. According to the national German newspaper Handelsblatt, church attendance has dropped by more than 2.2 million attendees since the start of the millennium. Contrasted to 50 years prior, where attendance totaled over 11 million, the numbers are now a mere 2.5 million Catholics. The German Church also has a total fortune of at least €20 billion. The three highest profiting dioceses are Paderborn, at €3.5 billion, Munich at €2.8 billion, and Cologne at €2.6 billion. Despite the extreme success of this bill on forcing tax payment, many citizens still find ways to stay away from paying for it. When moving to Germany, one must fill out a form declaring religious affiliation and denomination. One can also manage to opt out of the tax at a later date, if they are a non-practicing member of their faith. This has led to many people

declaring they have abandoned the religion of their birth. There is currently no data available regarding what proportion of those making such a declaration have in fact abandoned their religion, or whether they make the claim only to avoid paying the tax.

## Iceland

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Taxpayers in Iceland who belong to an officially registered religious group or secular humanist organization<sup>[13]</sup> must pay a congregation tax (Icelandic: *sóknargjald*, plural *sóknargjöld*)<sup>[14]</sup> which is deducted from income taxes and goes to the individual's respective organization.<sup>[13]</sup> In the past, the *sóknargjald* of those who do not belong to any recognized religious organization went to the University of Iceland,<sup>[15]</sup> but this was changed in 2009.<sup>[16]</sup> In cases of individuals not belonging to a registered religious group or secular humanist organization, the amount that would otherwise be used for the *sóknargjald* remains now part of the income tax budget. In 2015, the monthly *sóknargjald* amounted to 824 Icelandic krónur,<sup>[14]</sup> about \$US6.

The Church of Iceland receives governmental support beyond the congregation taxes paid by its members.

## Italy

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Taxpayers in Italy pay a mandatory eight per thousand tax, and have the option to choose to whom they will assign the monies. This tax amounts to 0.8% of the total income tax (IRPEF) and every taxpayer can choose the recipient of the contribution on their tax form. Regardless of whether the taxpayer expresses a preference or not, the 0.8% is already included in their tax levy.

Currently the choices are:

- Italian State
- Catholic Church
- Waldensian Evangelical Church
- Seventh-day Adventist Church
- Assemblies of God in Italy
- Union of the Jewish Communities in Italy
- Lutheran Evangelical Church in Italy
- Baptist Evangelical Christian Union of Italy
- Greek Orthodox Archdiocese of Italy
- Apostolic Church in Italy (Pentecostalism)
- Italian Buddhist Union
- Italian Hindu Union

If the choice is not expressly declared on the tax form, the tax is distributed according to the percentages of the taxpayers who have declared their choice of beneficiary. While it was intended that the state should use its own share of the 0.8% tax for social or cultural purposes, in practice it has employed it for general purposes including its military mission in Iraq in 2004<sup>[17][18]</sup> and the upgrading of prison infrastructure in 2011.<sup>[19]</sup>

## Sweden

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The members of Church of Sweden pay church fee, which varies between municipalities, but can be as much as 2%. Church and state are separated as of 2000; however, the burial tax (*begravningsavgift*) is paid by everyone regardless of membership.

In a recent development, the Swedish government has agreed to continue collecting from individual taxpayers the annual payment that has always gone to the church. But now the fee will be an optional checkoff box on the tax return. The government will allocate the money collected to Catholic, Muslim, Jewish and other faiths as well as the Lutherans, with each taxpayer directing where his or her taxes should go.

## Switzerland

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There is no official state church in Switzerland. However, except Geneva and Neuchâtel, each canton (state) financially supports at least one of the three traditional denominations – Roman Catholic, Old Catholic (in Switzerland Christian Catholic Church of Switzerland), or Evangelical Reformed – with funds collected through taxation. Each canton church tax may formally have to leave the church. In some cantons private companies are unable to avoid payment of the church tax.<sup>[20]</sup>

In Geneva and Neuchâtel there is no church tax : each taxpayer is free to make a voluntary tax deductible contribution or gift to his church, either directly to the beneficiary or using the canton (state) tax system.<sup>[21]</sup>

## United States

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In the United States, the Establishment Clause of the US Constitution prevents the US federal government and (through incorporation doctrine)<sup>[22]</sup> the 50 state governments from imposing church taxes. In 1947, the US Supreme Court ruled in *Everson v. Board of Education* that "No tax in any amount, large or small, can be levied to support any religious activities or institutions, whatever they may be called, or whatever form they may adopt to teach or practice religion."<sup>[23]</sup>

Prior to American independence, most of the original colonies supported religious activities with taxes, with each colony often choosing a single church as their official religion. These official churches enjoyed privileges not granted to other religious groups.<sup>[24]</sup> Massachusetts and Connecticut supported the Congregational church through tax.<sup>[25]</sup> In colonial South Carolina, the Anglican Church benefited from church taxes.<sup>[26]</sup> Other colonies would more generally support religion by requiring taxes that would partially fund religious institutions - taxpayers could direct payments to the Protestant denomination of their choosing. Only the colonies of Delaware, New Jersey, Pennsylvania and Rhode Island did not require a tax to support religion. During and after the American Revolution, religious minorities, such as the Methodists and the Baptists, argued that taxes to support religion violated freedoms won from the British. Defenders of the practice argued that government needed to fund religious institutions because public virtue depended on these institutions which could not survive purely on private support.<sup>[24]</sup>

## See also

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- Concordat
- 501(c)(3) recognition, federal tax code exemptions for churches, similar religious entities, and other recognized non-profit groups in the United States
- Clergy housing allowance, income not subject to federal tax that is paid to ordained ministers in both Canada and the United States

- *Otto per mille*
- Peter's Pence
- State religion
- Tithe

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